



**MEETING SUMMARY**

**CALIFORNIA WATER PLAN UPDATE 2013**  
**FINANCE CAUCUS MEETING NOTES**  
**9:00 A.M. – 12:30 P.M.**  
**815 S STREET, SACRAMENTO, CA**

**Meeting Objectives**

1. Review and receive comments on the Finance Framework, Chapter 7.
2. Review and receive comment on the Water Plan Finance Objective, Actions and Metrics for Update 2013
3. Discuss next steps for the Finance Framework

**Chapter 7**

*Overview*

Paul Massera, DWR, Update 2013 Project Manager and Lead for the Finance Caucus, provided a key recap of changes made to the document:

- Findings and Introduction reworked (page 1) to tell the story more thoroughly. The text also better describes and integrates the findings.
- Page 2: Key facts and findings have been worked into the text. The narrative replaces the previous list of bullets and discusses the significance of the findings. There is also a section that documents the information and discussions that have evolved over the past few years. This provides a useful background on the process.
- There is some repetition since the first 5 pages might be pulled as reference items.
- There are links to additional materials in the reference section.
- Page 6: The financial framework has not changed much, nor the scope and outcomes. IWM activities have not changed.
- Chapter 8 was renamed, “Roadmap for Action.” The strategic aspects of Chapter 3 have been moved into Chapter 8.
- Fig. 7-2 is now shown on page 11.
- Table 2A includes private and philanthropic investors.
- Page 18, Investing in Innovation and Infrastructure: Text references activities across other state agencies.
- Page 22, Investment fund concept: Stripped out the concept of “fees.”
- Page 23, 4I Fund: There is a bullet list of items that might be addressed through a Task Force. These items highlight why a 4I Fund isn’t ready for implementation.



- Page 25: Text added regarding limitation on public-private partnerships.
- Page 26: There is a discussion of considerations and limitations relating to a statewide water use fee.

## Comments and Discussion

- Separate out existing and potential revenue sources.
- It setting up the discussions about shared values, there is text on DACs. The idea of trade-offs is also contained in the shared values. Those presuppositions are daylighted here, and could be mentioned in other places.
- The revised introduction is much more responsive and helpful. On the findings piece, tells it more in a top-down way and moves it in the right direction.
  - It's much more readable. What is the the gap between what we are already investing and what we need?. Are we developing a plan for all of the gap? Explain existing programs v. unfunded programs.
  - That hasn't been unpacked yet. That was the goal when with the storyboard outline. There are things that need to be done in sequence. We're starting at the beginning. Setting up the scorecards is helpful. The last stages of the storyboard are still being developed. The role of local governments is huge. We continue to refine the role of State government. There is not buy-in yet. This piece needs to be vetted. Over the next few years, the words, terms and gaps and need further discussion.
  - It wasn't expected that we would complete the gap analysis at this time. This document is appropriately called a framework. Need to see if the language we're speaking matches that of other people. It's much improved and very well written.
  - Originally, this was called the finance plan. We didn't have the information needed to create a plan. This framework helps move the conversation. The facts and findings section is related to other parts of the framework. In this version, the closest we get is comparing historical costs with future IWM costs (page 19). It extrapolates what we've been doing.
  - Explain if the gap analysis addresses state funding or all funding (e.g. including local projects and costs).
- A value like \$20 billion needs to be set within a comparable context, such as the annual state budget or Gross Domestic Product. The State budget is \$97 billion.
- Page 3, fourth bullet, says that \$50 billion for flood projects exceeds available funding. It is important to show that demand exceeds supply. A request for additional funding would need greater understanding of the gap. In addition to new funding, this also needs to point to savings from alignment.
  - This should also discuss avoided costs.



- Regarding the concept of alignment: In describing the 4I fund, we explain that in moving towards IWM, there are many controllers of funding pots. The Fund would help assure that state investments are consistent. Each agency and bond comes at funding anew. The 4I Fund could promote a more aligned, consistent state approach.
  - It's best not to get into the revenue discussion yet. We can't have the endowment discussion without understand need.
- If possible, say that this does not provide a gap analysis. We need to improve the discussion on avoided costs. Investments today avoid future costs. If done well, the value of the investments can be maximized.
- Discussion of General Fund:
  - Page 5, Debt: Say that GO debt is X% of the General Fund. GO debt is the first priority that needs to be paid out of the General Fund. Any additional debt may impact other legislative funding priorities.
  - That does seem, by itself, to be a very simplistic description of debt. It doesn't really flag the purpose. Provide the context of the GF and overall debt and significant trade-offs issue.
  - There is a huge political context. This tees up a difficult discussion that needs to be had. This cannot be seen as the be all and end all. We can't control the politics of this. If we can't say that, then interests might need to step away from the table. The objective should be to *frame* the problem we currently have. Don't spell out what the problems are. Efficiencies are also on the table. Much of the funding comes out of the legislature, which is a political process.
  - There is a way to stay away from the politics. It's more factual to say, that in the past, funding has created these accounts. Due to constraints and emergencies, the state has borrowed from funding created for other purposes.(E.g. AB 32 fund was borrowed from before it even got off the ground.)
    - That's a good way to say it.
    - That can be described in the introduction. There are shared values that also relate to this.
- Regarding the task force, it might be good to be silent about the process on revenue sources. There's a very active and healthy dialogue doing on about that. The italics are very helpful. Talk about where the other discussions will occur.
  - Follow up and re-emphasize the constraints. The problems have been sprinkled throughout. Might want to consolidate that in the facts and findings session. New chapter 2, could pull out the challenges relating to finance.



## Water Plan Finance Objective, Actions and Metrics

This item is a continuation of the July 9 webinar. Some text has been added. This will eventually become Chapter 8. Second paragraph provides more detail about the basis of some actions and some disclaimers. Additional columns were added to the Related Actions table addressing: Performance Measures, Lead Entity, Funding Status, and whether Legislation is Required. In the column for Funding Status, there has been a question about how to convey grant funding that is about to expire.

The following outlines the status of the Related Actions:

- #1: added language on infrastructure (green and gray).
- #2: added infrastructure (green and gray)
- #3: no changes
- #4: heard that boundary discussions needed to be described (added parens)
- #5: changed emphasis to encourage funding for I & I; added infrastructure (2/3<sup>rd</sup> down)
- #6: no changes
- #7: will come back to
- #8: no changes (will refer back to the chapter)

It was recapped that the objectives represent the key aspects that the Water Plan is trying to address. The objective provides a description, followed by the related actions (how the objective will be accomplished). Other columns of the table address other aspects connected to the action. Action items can represent recommendations for others. Most of what's been done has been items that the state can undertake.

**Item 1:** Regional and local entities should continue investing in IWM activities based on regional and local conditions, goals, priorities, and solutions.

- Prop 218 is an issue for local funding. Local communities will provide financial support for local efforts and efforts, they don't support statewide fees.
- Tried to talk about Prop 218 in Chapter 7. How that get's discussed in Chapter 7, is the place for that. Chapter 8 presupposes that people read Chapter 7.
- Does the performance measure indicate whether actions are being achieved? It's a good metric, but impossible to measure.
  - There is a distinction between performance measures and sustainability indicators.
- Agencies know what they're spending. It's harder to track examples of the benefits being provided (IRWMPs, UWMPs).
  - It's hard to determine the quantities of benefits that derive from investments. There's a discussion of potential benefits, but no report at the end.
  - There are demands on agencies if additional reporting is required.



- “Investing in IWM activities” – how do we know what’s being invested if we’re still defining IWM activities.
- A good first step is to look at the investment level (address on benefits later). Don’t want additional reporting requirements, do want to increase knowledge.
- Look at performance measures from other objectives.
- Objective 17 gets to the need for expenditures to address the other 16 objectives.

**Item 2:** State government should continue to provide incentives for regional IWM (IRWM) activities that achieve State goals and provide broad public benefits.

- In the introductory paragraph and the last paragraph, “broad public benefits” need to be identified. This implies some test of the benefit (is it broad, is it public)? It’s loosely defined by types/categories of benefits. We don’t drill down on this phrase, in terms of defining this term.
  - Public benefits can be a difficult term. Is there a definition? Are we thinking about it in the same way?
  - Mutuals need to be considered in IRWM activities and funding streams
- Is there a definite benefit group, or a broader group? This is not about public or private ownership. Say “or” rather than “and.”
- How does the public trust definition relate to this?
- The funding status says funding is through 2017. (Chapter 7 says 2018.)

**Item 3:** State government should improve and facilitate access to State and federal public revenue sources.

- Add another bullet under #3 to take stock of federal and state sources. Look at innovation and alignment. This is part of the alignment process, through shared responsibilities with Tribes, state and local for resource management.
- Add that state government should provide guidance to locals on how to better leverage and partner with Federal agencies.
- Consider adding a column that states the role of the Federal government.
  - The federal government provides in-lieu contributions, in terms of data, reports, precipitation forecasts.
- The State Water Boards and CDPH provide technical assistance for DACs and Tribes.
  - Tribes and rural communities need assistance on some of these issues. Tribes need access to technical assistance to convey their needs to IRWM.



**Item 4:** The Government and Legislature should broaden the ability of (and create guidelines and limitations for) public agencies to partner with private entities for IWM investments.

- Incorporate text from Chapter 7 on limitations, page 25.
- This section (objectives) may need to separately stand alone and incorporate referential text as needed.

**Item 5:** State government should develop a more reliable, predictable, and diverse mix of finance mechanisms and revenue sources to continue to invest in IWM innovation activities and infrastructure that have broad public benefits, including, but not limited to, General Funds and General Obligation bonds.

- In the “Legislation Required” box: There was a suggestion to strike the phrase “or other” which could suggest a fee.
  - In the text, last phrase, “not limited to” also appears to be code for fee.
  - “Other” is an important statement to say. It would be better to say “other” rather than list the General Fund and General Obligation bonds – since we do need to look at other options.
  - This list isn’t inclusive, there is an open space.
  - It is useful to put bookends on the dialog. Anything that’s new and untested is often alarming.
- At what point is the text so sanitized, that we thwart a robust discussion. This tries to tell the story.
  - The story will come out anyway.
  - Don’t use innuendo or vagaries to tell the story.
- The phrase “broad, public benefits” occurs here also.

**Item 6:** State government should reduce planning and implementation time frames and costs associated with IWM activities by clarifying, aligning, and reducing redundancies among State government agencies’ policies, incentive programs, and regulations.

- Does this belong here or in the alignment objective?
  - Here, because it is more finance directed.
- Would look to identify ways to more effectively leverage funds. Could look at an MOU to leverage funds. Need to show a difference between existing and future conditions.
- There’s no baseline for the performance metric.
- This gets back to problem of understanding how we are governing now? Unless we can deliver outcomes that people can believe in, there will be cynical perceptions.



- The second bullet suggests a need for an ROI report card – which would need a baseline and metrics.
  - Might want to talk to Karl Longley (regarding baseline and outcome).
- Consider the idea of pilot projects or vignettes.
  - The current state is purely anecdotal.

**Item 7:** State government should convene a task force to study the benefits and feasibility of establishing a *State IWM Innovation and Infrastructure Investment Fund* (4I Fund) that would provide a consistent IWM State water financing framework. The task force should include representatives from local, regional, State, Tribal, and Federal governments, as well as a broad set of stakeholders.

- This does not reference a user fee. Refashion this, and delete references to a particular fund. Frame the additional discussion needed to improve the efficiencies and effectiveness of IWM funding/investments. Not sure who the lead entity would be. (Water Plan process needs to continue that discussion.)
  - It seems like that is discussed in item #8.
  - Item #7 focuses on who and how. Are these adequate to frame the future discussion?
  - The actions have two different purposes. Action #7 convenes a body of a state funding mechanism for consistent funding. #8 says the finance framework has eight parts. We're 2/3 of the way through. #8 is about continuing the work of the framework.
- Such a body or discussion needs to be established. Should it be included in the Water Plan? An ongoing discussion needs to be led by DWR, which is broader than the Water Plan. It could be committed to informally or in a written format. The specifics could be outlined in Chapter 7. In talking about what should happen, there will be sensitivities about how that happens. Find other places to point to this.
  - Informal discussions might work better than formal discussions.
- The convening of a group raises questions of who participates. For example, the Finance Caucus is not the right group. There are additional policy and technical perspectives that need to be involved. Are three presupposed participants and outcomes?
- The items in #8 are vital. How much effort will be applied to those? Item 7 seems to have more importance. Unless the Governor buys into it, it's hard to understand how a task force here will achieve these outcomes.
  - Should item 8 come before item 7?
  - Chapter 8 presupposes that people read Chapter 7





- Item #8 is foundational. Remove item 7, rework those bullets into item 8. Include the text in the bullets for item 8, rather than refer people back to Chapter 7.

**Item 8:** California Water Plan Update 2018 will enhance and refine the eight components of the Water Finance Storyboard, as described in the next steps section of Chapter 7, “Finance Planning Framework.”

- Item 8 depends on item 7. See comments for the preceding item.

### **Options for advancing a discussion on funding**

There are many ways to get this moving, without a commitment to a particular task force. Some efforts are not as effective in creating a high-profile process that doesn’t optimize information and participation of the public discourse. Possible options include:

- White papers
- Symposia
- A series of meetings at different levels
- Might want technical input.





**ATTENDANCE**

Steve Archer, Buena Vista Rancheria  
Dave Bolland, Association of California Water Agencies  
Rebecca Crebbin-Coates, Planning and Conservation League  
Maria Kennedy, SAWPA One Water One Watershed  
Saqib Najmus, RMC  
Nick Konovaloff, Regional Council of Rural Counties  
Valerie Nera, California Chamber of Commerce  
Cindy Paulson, California Urban Water Agencies  
Tito Sasaki, Sonoma County Farm Bureau  
Susan Tatayon, The Nature Conservancy  
Iovanka Todt, Floodplain Management Association

Alan Highstreet, CH2MHill  
Kamyar Guivetchi, DWR, Manager, Statewide Integrated Water Management  
Paul Massera, DWR, Water Plan Program Manager  
Lewis Moeller, DWR, Water Plan Project Manager  
Megan Fidell, DWR  
Terri Wegener, DWR, Manager, Statewide Flood Management Program  
Lisa Beutler, MWH, Water Plan Executive Facilitator  
Judie Talbot, CCP, Facilitator

**Webinar**

Brian Campbell, East Bay Municipal Utilities District  
Stathis Kostopoulos, Metropolitan Water District  
Mark Stadler, San Diego County Water Authority